

Message Text

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72-L
ORIGIN ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-02 COME-00 FEA-01

CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01

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DRAFTED BY ARA-LA/E - WSCLARKE:GFH
APPROVED BY ARA-LA/EP - JOHN KING
EB/ORF/FSE - MCREEKMORE (DRAFT)
EB/IFD/OIA - TBRODERICK (DRAFT)

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P 292129Z APR 75
FM SECSTATE WASHDC
TO AMEMBASSY QUITO PRIORITY
INFO AMCONSUL GUAYAQUIL PRIORITY

C O N F I D E N T I A L STATE 099726

E.O. 11652: GDS

TAGS: PFOL, EINV, ENRG, EC, US

SUBJECT: TEXACO-GULF SUSPENDING SHIPMENTS
REF: QUITO 2815

1. TEXACO GULF EXECUTIVES VISITED ARA/LA-EP ON APRIL 25, FOLLOWING MORNING MEETING WITH ECUADOREAN AMBASSADOR CARDENAS. OIL COMPANY OFFICIALS OUTLINED THEIR PROBLEMS IN ECUADOR, WHICH THEY CLAIM HAVE NOW REACHED A CRISIS POINT. TEXACO VP SHIELDS STATED THAT TG NOW LOSING APPROXIMATELY \$1 MILLION MONTHLY. RECENT DECREES WHICH OBLIGE 210,000 B/D LIFTINGS AND COMPULSORY INVESTMENT CREATE UNTENABLE SITUATION WHICH COMPANIES UNABLE TO ACCEPT ESPECIALLY WHILE ECUADOREAN CRUDE PRICED WELL ABOVE WORLD MARKET. AS RESULT, THEY HAVE CHOSEN TO SUSPEND FURTHER SHIPMENTS OF CRUDE OIL AS OF THIS WEEK
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AND EXPECT TO CEASE PUMPING ON OR ABOUT MAY 6. IN CHOOSING TO FORCE THE ISSUE AT PRESENT TIME, THEY BELIEVE THAT GOE HAS ONLY TWO OPTIONS: IMMEDIATE TAX RELIEF OR EXPROPRIATION.

2. ALTHOUGH DEPARTMENT UNAWARE HOW MUCH OF ABOVE WAS TOLD AMBASSADOR CARDENAS, IT APPEARS THAT HE AGREED TO CALL QUITO ON THE DAY OF THEIR MEETING IN ORDER TOSUPPORT

TG REQUEST FOR MEETING WITH PRESIDENT RODRIGUEZ WHICH COMPANY OFFICIALS HAVE REQUESTED FOR MAY 7. TG OFFICIALS REPORTED THAT LETTER FORMALLY REQUESTING MEETING WOULD BE DELIVERED DIRECTLY TO PRESIDENTIAL OFFICES IN QUITO ON APRIL 29.

3. OIL COMPANY OFFICIALS DID NOT ASK FOR ANY SPECIFIC ACTIONS FROM THE DEPARTMENT AT THIS TIME. THEY ARE CONCERNED THAT THERE MAY BE A CREDIBILITY PROBLEM WITH GOE, WHICH HAS SHOWN LITTLE RESPONSIVENESS TO EARLIER APPROACHES ON PRICING PROBLEMS, BUT WERE UNCLEAR HOW DEPARTMENT MIGHT BE ABLE TO UNDERSCORE SERIOUSNESS OF CRISIS.

4. IN ORDER TO BE PREPARED FOR WHAT APPEARS TO BE A MAJOR CONFRONTATION, POST IS REQUESTEDTO PROVIDE ANALYSIS OF CURRENT TAX STRUCTURE FOR CRUDE OIL IN ECUADOR, INDICATING, IF POSSIBLE, VARIOUS CHANGES THAT HAVE TAKEN PLACE SINCE JANUARY 1, 1974. A USEFUL FORMAT IS PROVIDED IN TABLE 8.4, QUOTE COMPOSITION OF ECUADOREAN PETROLEUM TAX PAID COST, UNQUOTE PROVIDED IN REPORT NO- 507-EC, QUOTE CURRENT ECONOMIC POSITION AND PROSPECTS OF ECUADOR, UNQUOTE PUBLISHED BY IBRD ON AUGUST 26, 1974. KISSINGER

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